



shaping your dreams

Financial Results for FY2022-1H

July 7, 2022
OSG Corporation

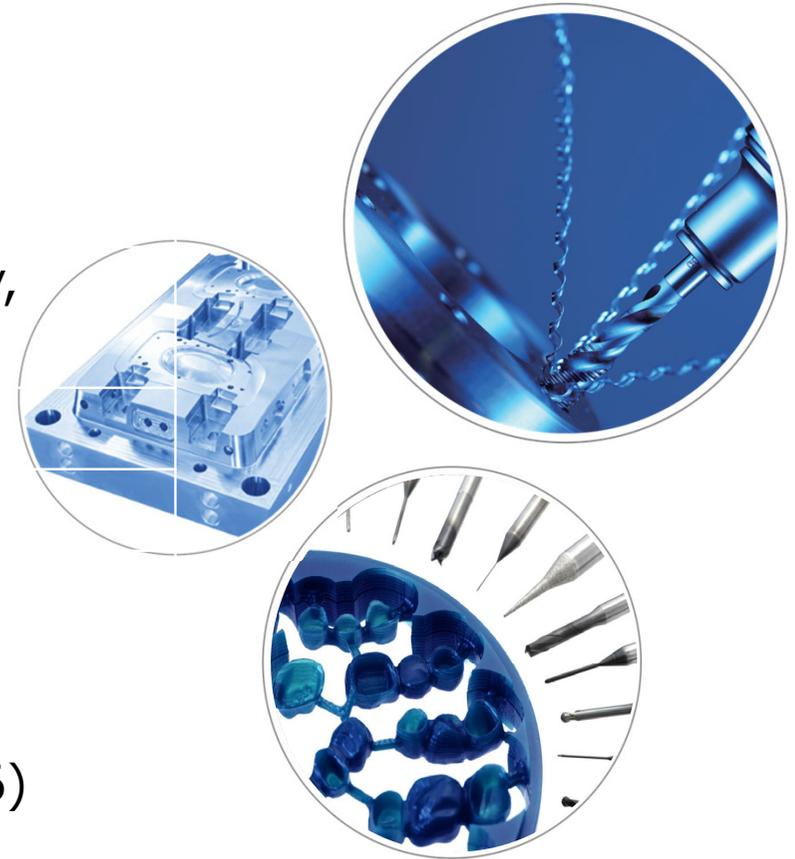


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Management Plan

Company Overview

Company Name	OSG Corporation
Headquarters	3-22 Honnogahara Toyokawa-city, Aichi, Japan
Foundation	March 26, 1938
Capital	13,044 million yen
Employees	7,497 (consolidated) 1,910 (non-consolidated)
Stock listed	1 st Section of Tokyo and Nagoya Stock Exchange (stock code 6136)



Note regarding forecast

This material includes forward-looking statements based on information available at the time of release.

The forecasts and other forward-looking statements are not guarantees of future performance. Actual financial results may differ from the above forecasts due to known and unknown risks, uncertainties, and other factors.

Company Overview

Products

- Consumable cutting tools used in machine tools
- **Taps** account for over 30% market share as **world leader**

Strength

- High-value cutting tools
- Excellent after-sales service
- A global sales & service network across 33 countries



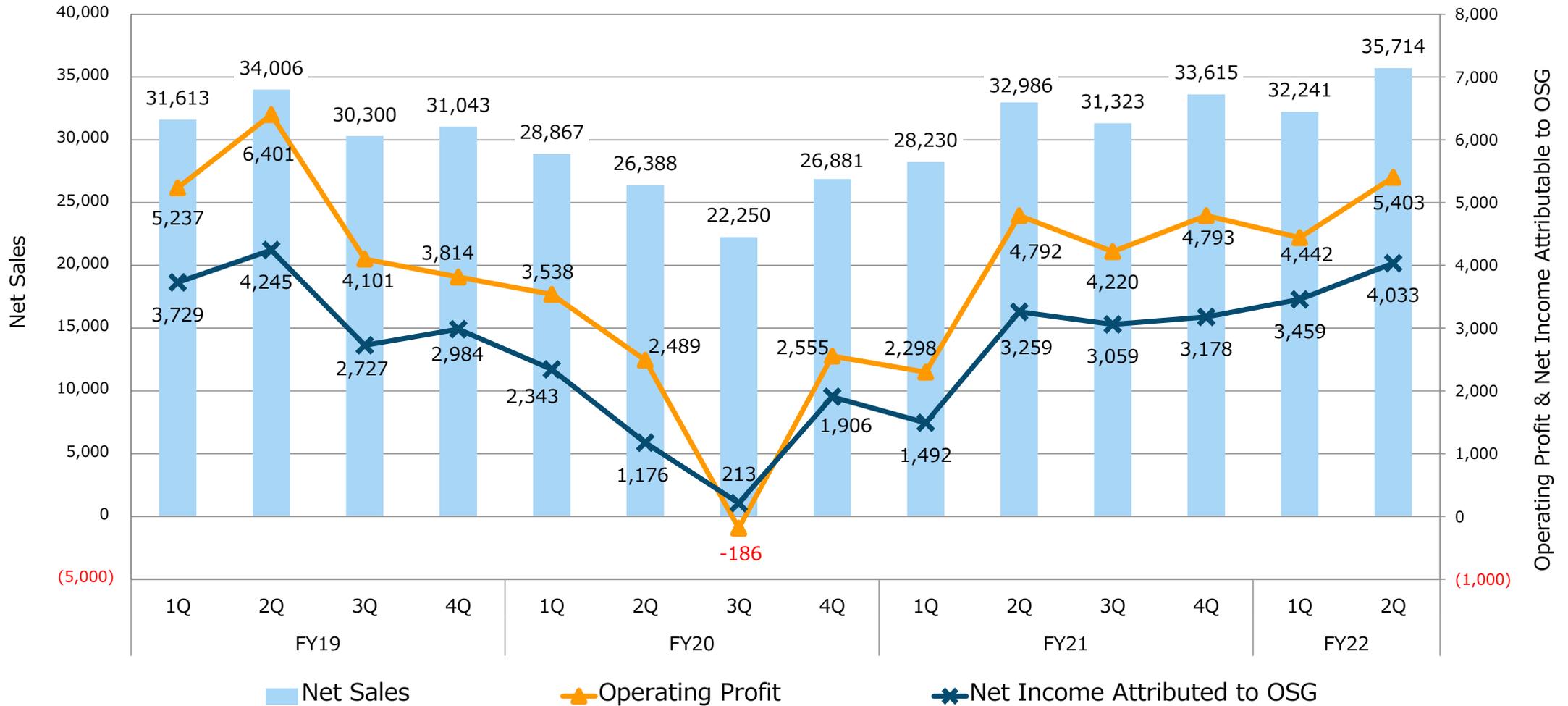
Financial Summary

(Millions of yen)

	FY21-1H	FY22-1H	Change	FY22-1H Forecast	Progress Rate
Net Sales	61,217	67,956	+11.0%	66,700	101.9%
Operating Profit	7,091	9,845	+38.8%	9,600	102.6%
OPM	11.6%	14.5%	-	-	-
Ordinary Profit	7,261	10,629	+46.4%	9,600	110.7%
Net Profit Attributable to OSG	4,751	7,492	+57.7%	6,400	117.1%
EPS(yen)	48.73	77.26	+58.5%	65.73	-

Financial Summary

(Millions of yen)

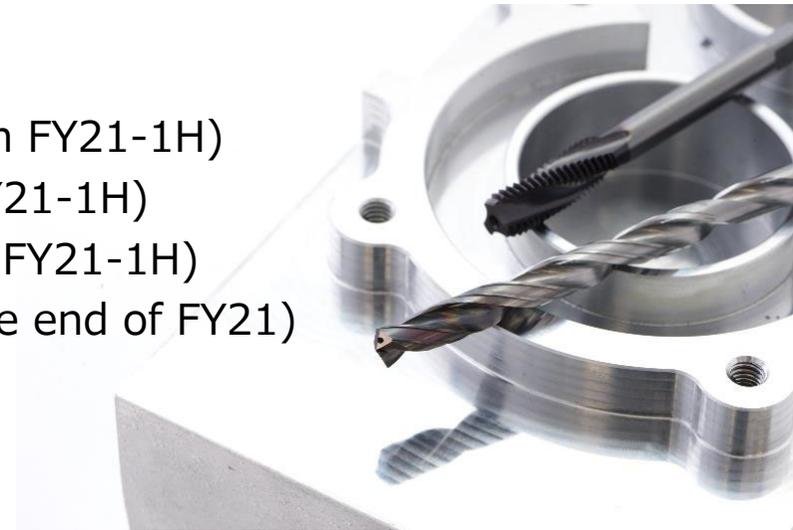


Review of FY22-1H

Sales remained strong, especially tap sales reached a record high in the first half of the year.

➤ Index & Capital Investment Results

—EBITDA	14.9 billion yen	(Increased by 20.4% from FY21-1H)
—EBITDA Margin	22.0%	(1.7pts increased from FY21-1H)
—Free Cash Flow	6.7 billion yen	(Reduced by 40.6% from FY21-1H)
—Equity Ratio	70.8%	(2.2pts increased from the end of FY21)
—CAPEX	3.7 billion yen	
—Depreciation	5.0 billion yen	



Review of FY22-1H

The Americas

Despite the continuing impact of inflation, orders from the energy industry are strong. South America maintained strong performance.

Europe/Africa

Orders from the aircraft industry are recovering.
The conflict in Ukraine affected the supply chain of some customers.

Asia

Sales and production temporarily stagnated due to China's Covid Lockdowns, but recovered from May onward.

Japan

Orders for standard products for the general industry and for the machine parts industry remained steady, while orders for the automobile industry continued to be affected by production cutbacks.

Sales to Customer

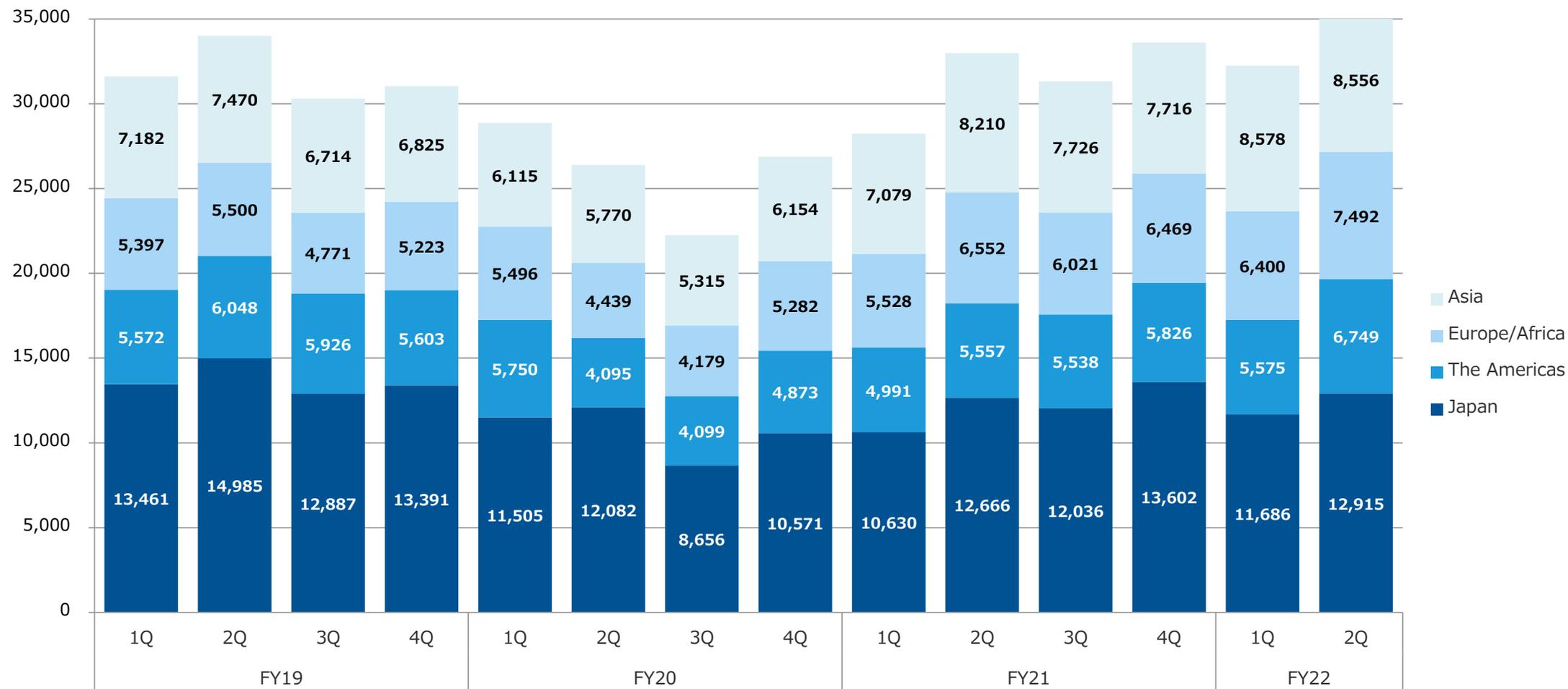
(Millions of yen)

Change
in local
currency

	FY21-1H	FY22-1H	Change		
Japan	23,296	24,601	1,305	+5.6%	-
The Americas	10,549	12,325	1,776	+16.8%	+3.1%
Europe/Africa	12,081	13,893	1,811	+15.0%	+11.1%
Asia	15,289	17,135	1,845	+12.1%	+2.6%
Consolidated	61,217	67,956	6,738	+11.0%	-

Sales to Customer

(Millions of yen)



Operating Income

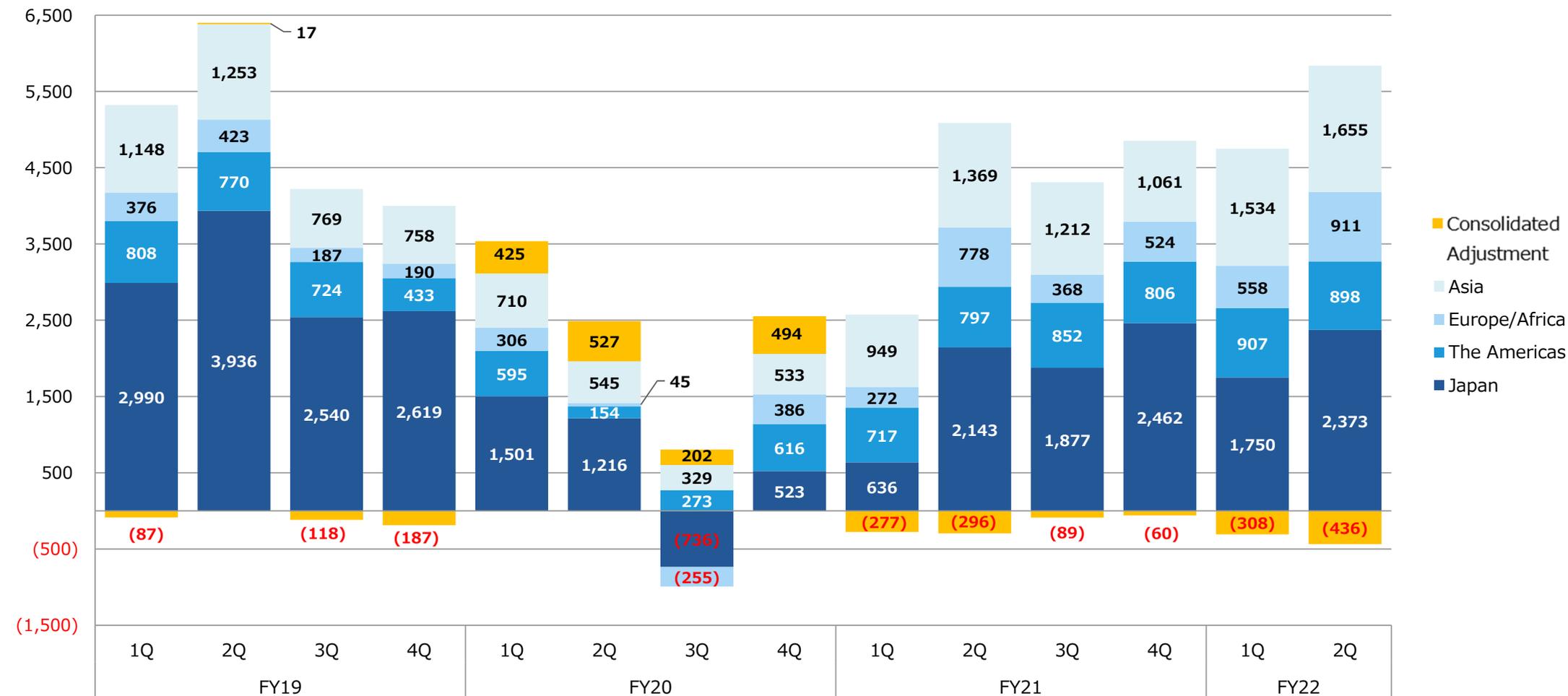
(Millions of yen)

	FY21-1H	Area percentage	FY22-1H	Area percentage	Change		OPM(*)
Japan	2,779	36.3%	4,123	38.9%	1,344	+48.4%	11.7%
The Americas	1,515	19.8%	1,805	17.0%	290	+19.2%	14.2%
Europe/Africa	1,051	13.7%	1,470	13.9%	419	+39.9%	10.5%
Asia	2,318	30.3%	3,190	30.1%	871	+37.6%	17.0%
Total	7,664	-	10,590	-	2,925	+38.2%	13.1%
Eliminations	-573	-	-744	-	-170	-	-
Consolidated	7,091	-	9,845	-	2,754	+38.8%	14.5%

* Operating profits margin as % of sales (external sales + internal area transfers)

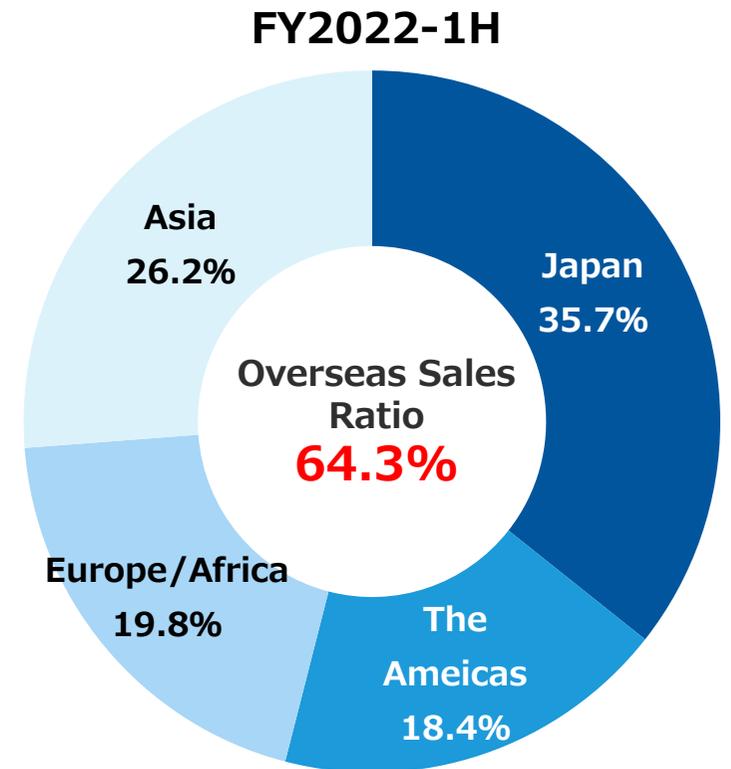
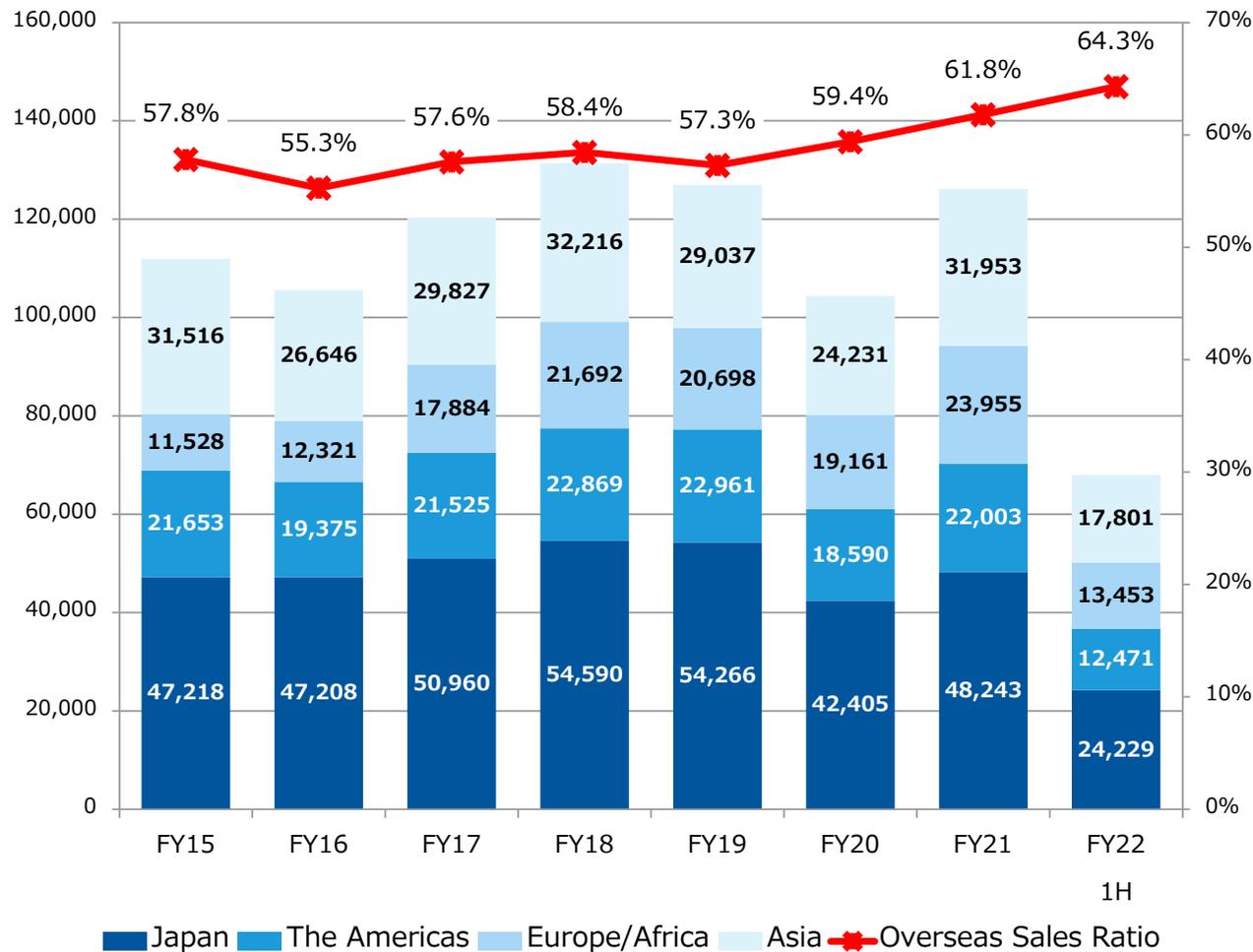
Operating Income

(Millions of yen)



Overseas Sales Ratio

(Millions of yen)



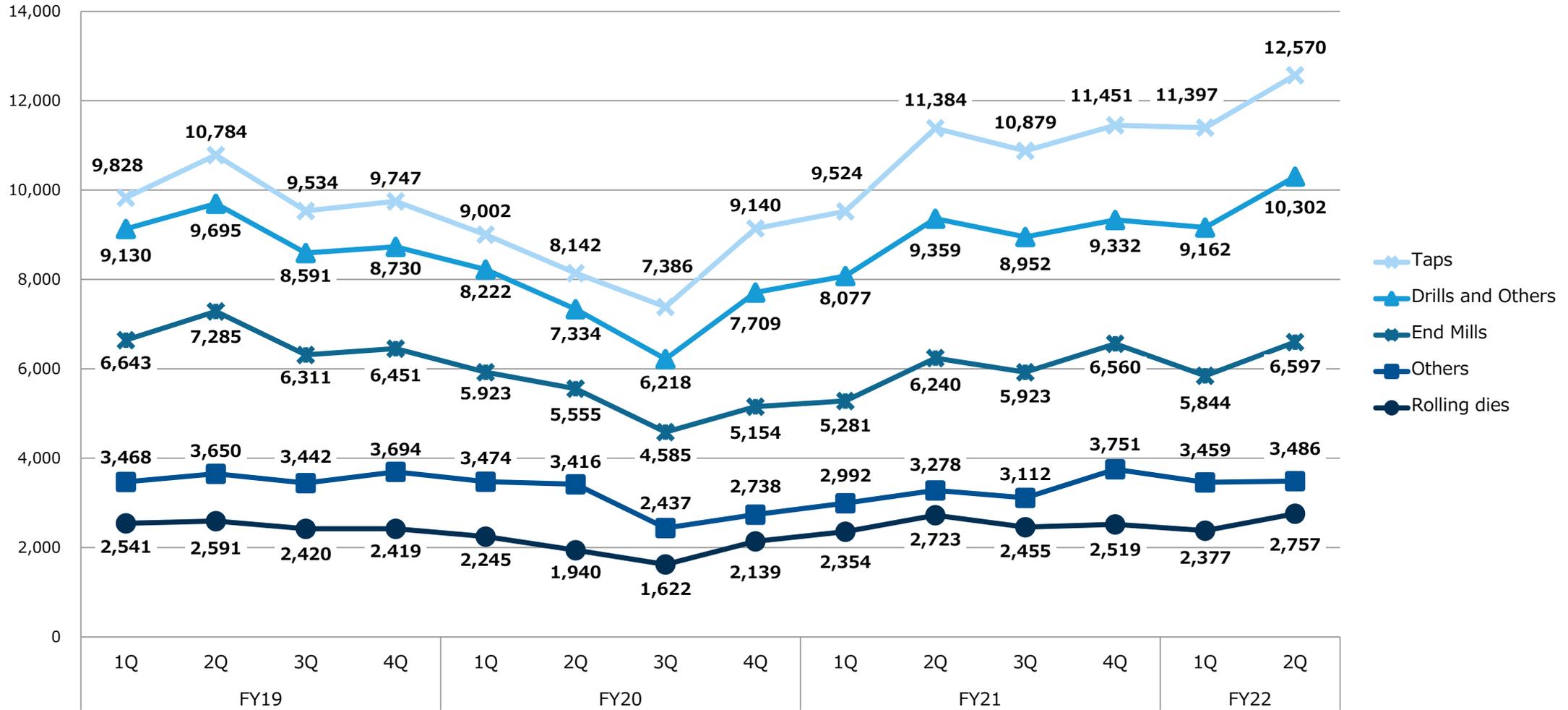
Net Sales by Product Segment

(Millions of yen)

		FY21						FY22				Change	
		1Q	2Q	3Q	4Q	1H		1Q	2Q	1H			
Precision Tools	Taps	9,524	11,384	10,879	11,451	20,909	34.2%	11,397	12,570	23,967	35.3%	3,058	14.6%
	End mills	5,281	6,240	5,923	6,560	11,522	18.8%	5,844	6,597	12,441	18.3%	919	8.0%
	Drills and Others	8,077	9,359	8,952	9,332	17,436	28.5%	9,162	10,302	19,465	28.6%	2,028	11.6%
	Rolling dies	2,354	2,723	2,455	2,519	5,078	8.3%	2,377	2,757	5,135	7.6%	57	1.1%
	Gauges	373	445	448	480	819	1.3%	449	524	973	1.4%	154	18.8%
	Sub Total	25,611	30,153	28,659	30,344	55,765	91.1%	29,231	32,751	61,983	91.2%	6,217	11.2%
Other	Machine	956	1,006	864	1,346	1,962	3.2%	783	1,008	1,791	2.6%	-170	-8.7%
	Other	1,663	1,826	1,799	1,924	3,489	5.7%	2,227	1,953	4,181	6.2%	691	19.8%
	Sub Total	2,619	2,833	2,663	3,271	5,452	8.9%	3,010	2,962	5,973	8.8%	520	9.5%
	Total	28,230	32,986	31,323	33,615	61,217	100%	32,241	35,714	67,956	100%	6,738	11.0%

Net Sales by Product Segment

(Millions of yen)

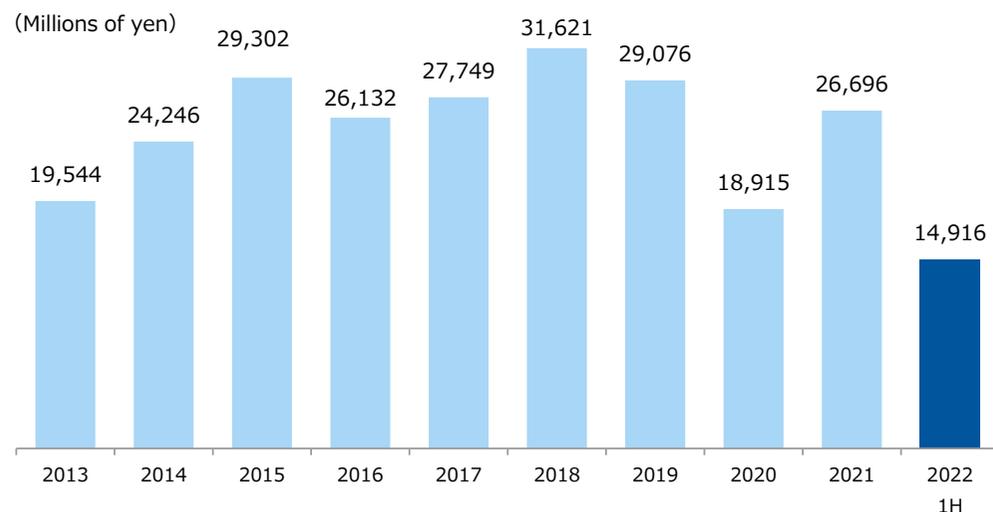


B/S Overview • EBITDA

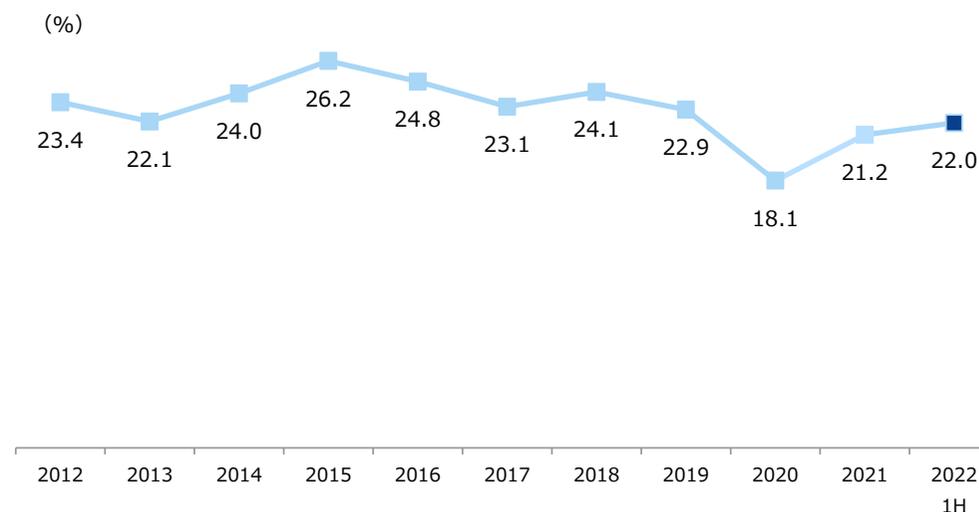
(Millions of yen)

	FY21	FY22-1H		FY21	FY22-1H
Equity Ratio (%)	68.6	70.8	Cash and Time Deposits	46,795	44,492
Receivable Turnover Period (Days)	68	67	Debt	30,751	26,466
Inventory Turnover Period (months)	4.1	4.2	Net Cash	16,043	18,025

EBITDA

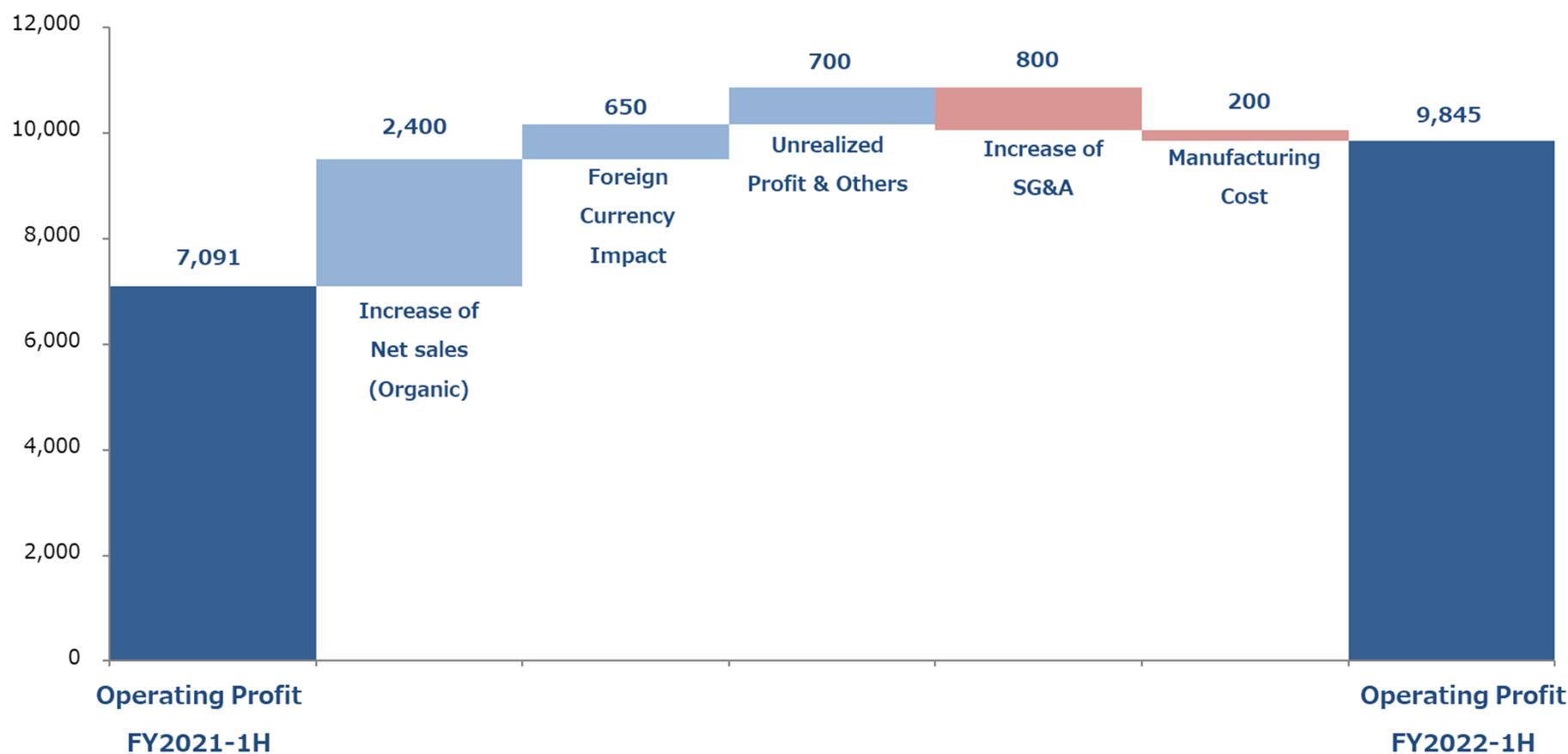


EBITDA Margin



Operation Profit Variation

(Millions of yen)



(※) Due to the application of the "Accounting Standard for Revenue Recognition," sales discounts, which were recorded as non-operating expenses until the previous period, are deducted from sales in the current period. As a result, operating profit decreased by 380 million yen in the first half of 2022, but there is no impact on ordinary profit.

Cash Flow Overview

(Millions of yen)	FY19	FY20	FY21	FY21 1H	FY22 1H	Change
Income before income taxes	19,845	8,896	16,354	7,261	10,629	3,368
Depreciation and amortization	9,522	10,518	10,591	5,295	5,071	-224
Change in notes and accounts receivable	1,902	2,832	-2,448	-1,177	292	1,470
Change in inventories	-6,319	1,822	1,864	2,664	-1,390	-4,055
Change in notes and accounts payable	453	-1,555	243	-153	-431	-277
Change in accrued expenses	115	-1,704	1,227	695	209	-486
Income taxes - paid	-6,503	-4,743	-2,703	-946	-4,102	-3,156
Other, net	244	972	1,853	639	-796	-1,435
Net cash provided by operating activities	19,261	17,038	26,982	14,280	9,482	-4,797
Acquisitions of property, plant and equipment	-17,139	-9,895	-5,555	-2,463	-3,795	-1,331
Purchase of shares of subsidiaries	-1,158	-2,054	-346	-	-428	-428
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	-3,266	-	-	-	-
Payments for time deposits and proceeds from refund of time deposits	-532	-583	-1,455	-354	1,551	1,906
Other, net	-1,485	-1,332	395	-16	-17	0
Net cash used in investing activities	-20,314	-17,133	-6,961	-2,834	-2,689	145
Free cash flow	-1,053	-94	20,021	11,445	6,793	-4,652
Change in interest-bearing debt	6,258	14,692	-11,586	-6,027	-3,102	2,925
Dividends paid	-4,709	-3,439	-2,440	-1,082	-2,148	-1,066
Dividends paid to non-controlling interests	-525	-298	-323	-169	-190	-20
Proceeds from issuance of bonds	5,000	-	-	-	-	-
Purchase of treasury stock	-1,899	-1	-2	0	-4885	-4,884
Other, net	-660	-1,293	89	35	-3	-38
Net cash used in financing activities	3,465	9,658	-14,264	-7,244	-10,329	-3,084
Effect of exchange rate change on cash and cash equivalents	-690	-88	1,224	1,173	2,265	1,091
Net increase (decrease) in cash and cash equivalents	1,721	9,475	6,981	5,374	-1,271	-6,645
Cash and cash equivalents from newly consolidated subsidiaries	437	120	73	73	-	-73
Cash and cash equivalents at end of period	23,704	33,299	40,354	38,747	39,083	335

Capital Investment

FY22 Capital Investment Forecast

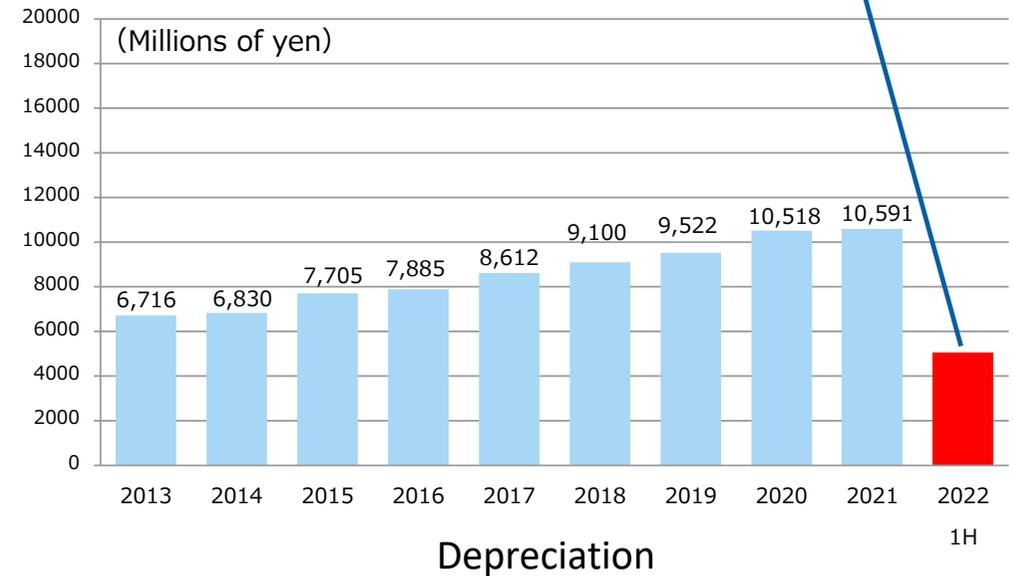
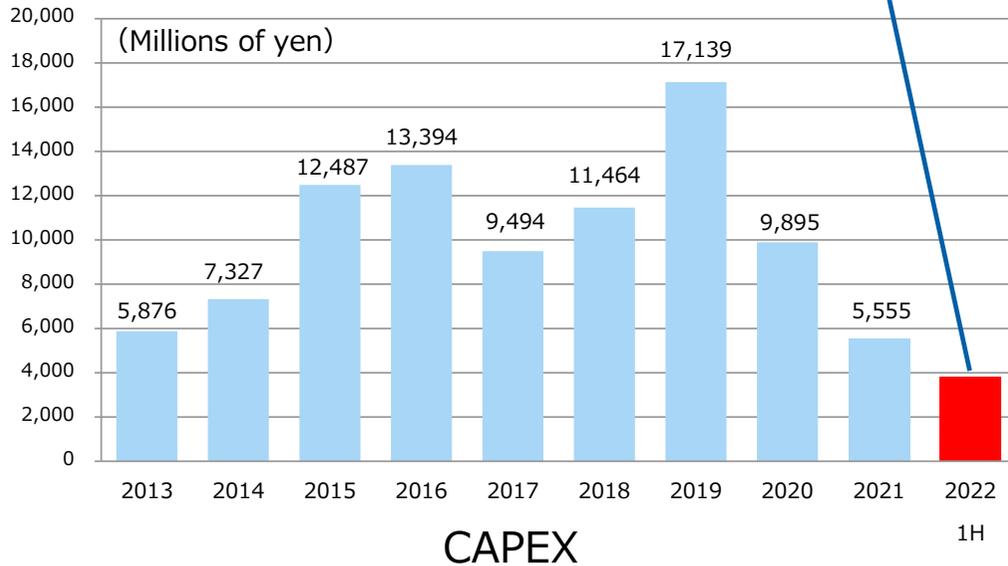
9.0 billion yen

Breakdown

Mainly renewal and enhancement of machinery and equipment

CAPEX : 3,795

Depreciation : 5,071



Forecast for FY22

Consolidated

Parent Company

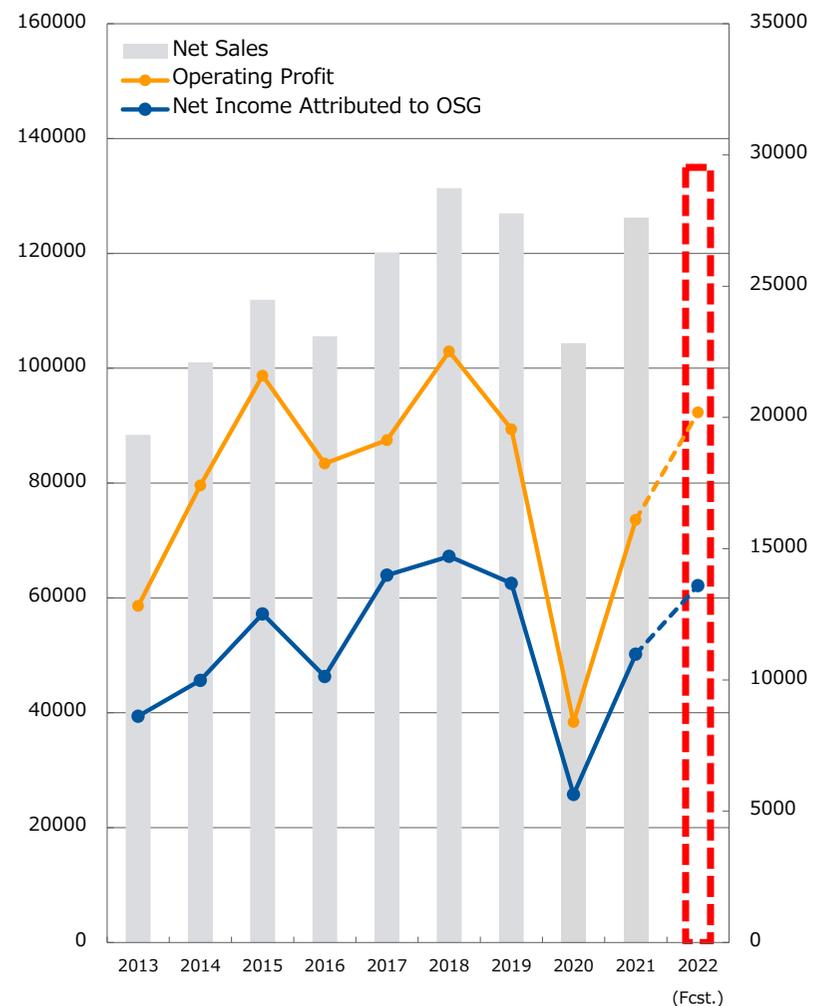
	Amount (Millions of yen)	Growth	Amount (Millions of yen)	Growth
Net Sales	135,000	+7.0%	56,000	+7.5%
Operating Profit	20,200	+25.4%	6,000	+22.7%
as % of sales	15.0%	-	10.7%	-
Ordinary Profit	20,200	+25.1%	10,600	+60.1%
as % of sales	15.0%	-	18.9%	-
Net Income Attributed to OSG	13,600	+23.8%	8,700	+70.3%
as % of sales	10.1%	-	15.5%	-
EPS (yen)	139.25	-	89.05	-

*Exchange rate FY2022(Fcst.) : 1US\$=115.00yen 1Euro=130.00yen

Net Sales
(Million yen)

Consolidated

Profit
(Million yen)



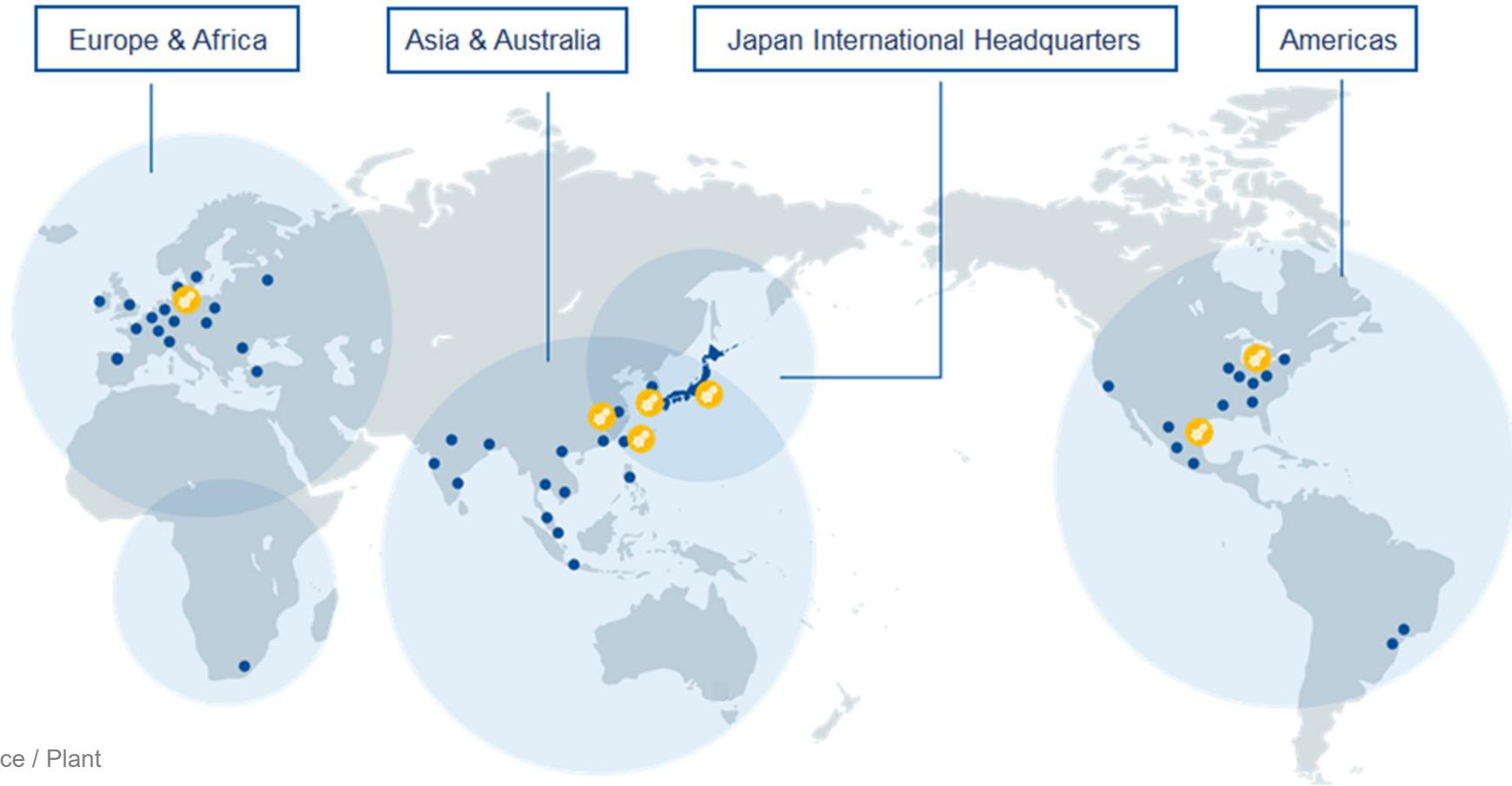
Exchange Rate

	1US\$	1Euro	1RMB
FY19 2Q	110.51JPY	124.82JPY	16.31JPY
FY19	109.36JPY	122.53JPY	15.86JPY
FY20 22Q	108.55JPY	119.64JPY	15.39JPY
FY20	106.94JPY	121.60JPY	15.41JPY
FY21 2Q	107.27JPY	129.69JPY	16.55JPY
FY21	109.41JPY	130.04JPY	16.94JPY
FY22 2Q	120.91JPY	133.13JPY	18.75JPY

Appx.1 Selected Financial Data (Consolidated)

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 1H
Net sales	(mil.yen)	69,513	80,959	84,083	88,378	101,031	111,917	105,561	120,198	131,368	126,964	104,388	126,156	67,956
Sales growth	(%)	30%	16%	4%	5%	14%	11%	-6%	14%	9%	-3%	-18%	21%	11%
Cost of sales	(mil.yen)	44,605	48,439	49,381	52,777	58,061	61,865	59,179	69,711	74,833	73,281	65,715	76,969	40,507
Gross profit	(mil.yen)	24,907	32,519	34,702	35,601	42,970	50,051	46,382	50,486	56,535	53,682	38,673	49,186	27,448
SG&A expenses	(mil.yen)	17,383	20,214	20,747	22,774	25,554	28,454	28,135	31,349	34,015	34,128	30,276	33,081	17,603
Operating income	(mil.yen)	7,524	12,305	13,954	12,827	17,415	21,597	18,246	19,137	22,520	19,554	8,396	16,105	9,845
Ordinary income	(mil.yen)	6,699	11,374	13,695	13,910	17,568	21,510	17,813	19,144	22,567	19,710	8,950	16,141	10,629
Net income	(mil.yen)	3,772	5,904	7,138	8,619	9,989	12,518	10,134	13,993	14,710	13,686	5,639	10,989	7,492
Gross profit margin	(%)	35.8%	40.2%	41.3%	40.3%	42.5%	44.7%	43.9%	42.0%	43.0%	42.3%	37.0%	39.0%	40.4%
SG&A as % of sales	(%)	25.0%	25.0%	24.7%	25.8%	25.3%	25.4%	26.7%	26.1%	25.9%	26.9%	29.0%	26.2%	25.9%
Operating income	(%)	10.8%	15.2%	16.6%	14.5%	17.2%	19.3%	17.3%	15.9%	17.1%	15.4%	8.0%	12.8%	14.5%
Ordinary income	(%)	9.6%	14.0%	16.3%	15.7%	17.4%	19.2%	16.9%	15.9%	17.2%	15.5%	8.6%	12.8%	15.6%
Net income	(%)	5.4%	7.3%	8.5%	9.8%	9.9%	11.2%	9.6%	11.6%	11.2%	10.8%	5.4%	8.7%	11.0%
Average FX rate: 1USD	(yen)	89.29	80.71	78.89	93.16	102.98	121.03	109.78	112.33	110.53	109.36	106.94	109.41	120.91
Average FX rate: 1Euro	(yen)	120.65	112.80	102.63	122.62	139.37	134.92	121.39	126.20	130.68	122.53	121.60	130.04	133.13
Total assets	(mil.yen)	105,635	104,373	121,689	134,503	142,302	155,129	156,081	166,712	178,020	190,414	200,112	209,757	218,787
Total shareholders' equity	(mil.yen)	57,117	59,367	64,482	80,024	91,458	102,566	92,216	115,810	125,332	129,078	129,338	143,811	154,849
Net income	(yen)	39.34	62.18	75.16	90.76	105.20	131.78	110.59	153.70	150.47	140.06	57.94	112.63	77.26
Cash dividends (end of Q2)	(yen)	4.00	6.00	10.00	10.00	14.00	26.00	22.00	21.00	22.00	23.00	11.00	14.00	23.00
(year-end)	(yen)	8.00	12.00	13.00	20.00	20.00	20.00	28.00	25.00	25.00	24.00	11.00	22.00	-
Total shareholders' equity	(yen)	601.44	625.14	679.01	842.71	963.15	1,079.12	1,024.34	1,191.65	1,279.29	1,328.08	1,327.22	1,472.45	1,609.72
Average number of shares	(ths)	95,904	94,967	94,966	94,963	94,959	94,991	91,640	91,044	97,761	97,716	97,335	97,573	96,979
ROE	(%)	6.7%	10.1%	11.5%	11.9%	11.7%	12.9%	10.4%	13.5%	12.2%	10.8%	4.4%	8.0%	10.0%
Equity ratio	(%)	54.1%	56.9%	53.0%	59.5%	64.3%	66.1%	59.1%	69.5%	70.4%	67.8%	64.6%	68.6%	70.8%
Operating CF	(mil.yen)	14,095	11,344	12,286	16,171	19,688	19,588	16,333	20,820	20,310	19,261	17,038	26,982	9,482
Investing CF	(mil.yen)	-5,522	-8,195	-19,746	-2,972	-3,119	-16,976	-16,843	-7,566	-13,351	-20,314	-17,133	-6,961	-2,689
Financing CF	(mil.yen)	-15,562	-5,855	8,643	-9,423	-12,813	-6,216	-778	-11,137	-4,723	3,465	9,658	-14,264	-10,329
Cash flow margin	(%)	20.3%	14.0%	14.6%	18.3%	19.5%	17.5%	15.5%	17.3%	15.3%	15.1%	16.3%	21.4%	14.0%

Expansion of Overseas Business



- Sales Office / Plant
- Technology Center



shaping your dreams



New Medium-term Management Plan

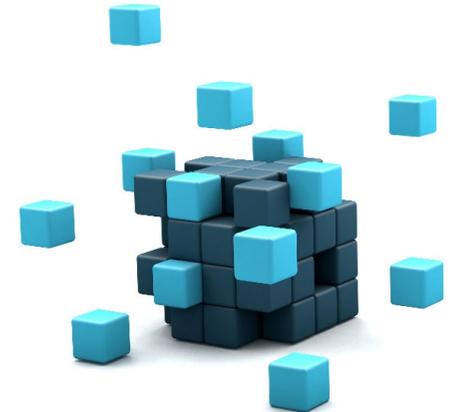
Beyond the Limit 2024

FY2022 - FY2024

Beyond the Limit

Long-term Vision

**To become an essential player
that contributes to the global manufacturing
industry towards a carbon-neutral era**



Basic Strategy

Strengthen business efficiency and build a corporate structure capable of generating stable profits

- We have divided our long-term vision into three stages, the first three years in which we will strengthen our corporate structure, in order to transform ourselves into an essential player that contributes to the global manufacturing industry,
- In each of the three stages, we will change the composition of our customer portfolio by 2030 in order to respond to changes in the social environment.
- Toward the era of carbon neutrality, we will work together with group companies to enhance corporate value by optimizing the entire group.



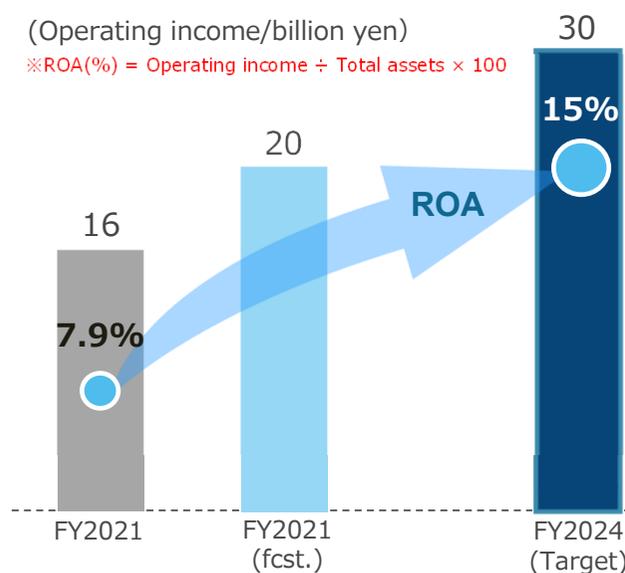
**Beyond the Limit
2022-2024 (Stage1)**

**Beyond the Limit
2025-2027 (Stage2)**

**Beyond the Limit
2028-2030 (Stage3)**

(Operating income/billion yen)

※ROA(%) = Operating income ÷ Total assets × 100



**Medium-Term
Management Targets**
(Fiscal year ending November 30, 2024)

ROA (Operating income basis)
15%
Operating Income
30 billion yen

**Achieve
40% share
in the global tap
market**

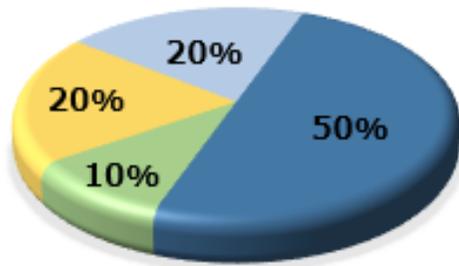
**Portfolio by Customer
in micro precision machining
over 30%**
Become a company that
contributes to the carbon
neutrality



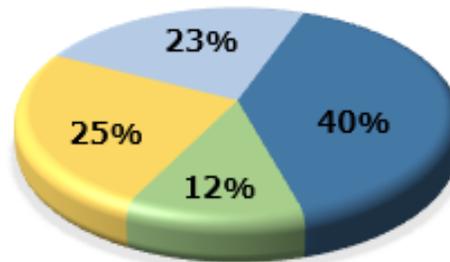
Target-Industry Portfolio



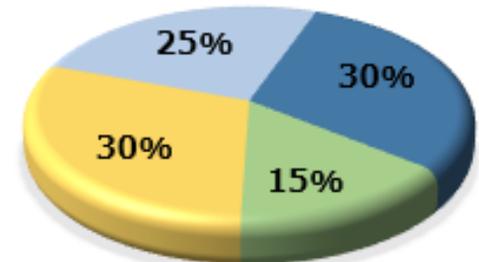
Beyond the Limit
2022-2024 (Stage1)



Beyond the Limit
2025-2027 (Stage2)



Beyond the Limit
2028-2030 (Stage3)



■ Automotive
 ■ Aerospace
 ■ Micro precision machining
 ■ General Industry

Basic Strategy

- Improve profitability and business efficiency to create a strong corporate structure
- A Brand sales rate 30%
- Coating and tool reconditioning rate 10%
- Expand sales in micro precision machining and energy industry
- Establish a sales and production system that makes full use of digital technology

- Achieve 40% share in the global tap market
- A Brand sales rate 40%
- Coating and tool reconditioning ratio 15%
- Global expansion of digital manufacturing/optimize local production
- Expand sales in micro precision machining, energy and aerospace industries

- Increase portfolio composition by customer to 30% or more in micro precision machining
- Become a company that contributes to the carbon neutrality of customers



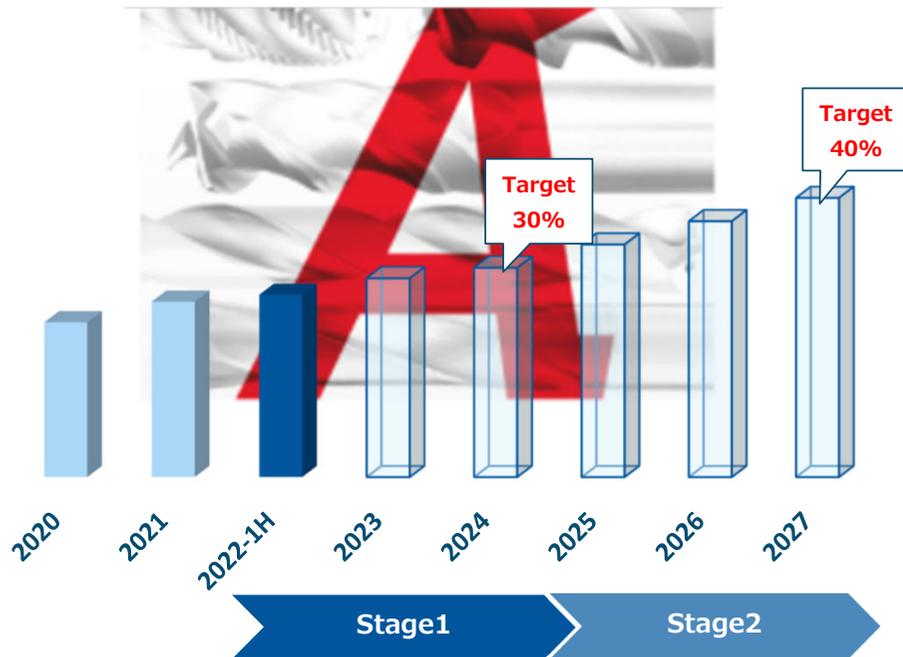
Progress of basic strategy



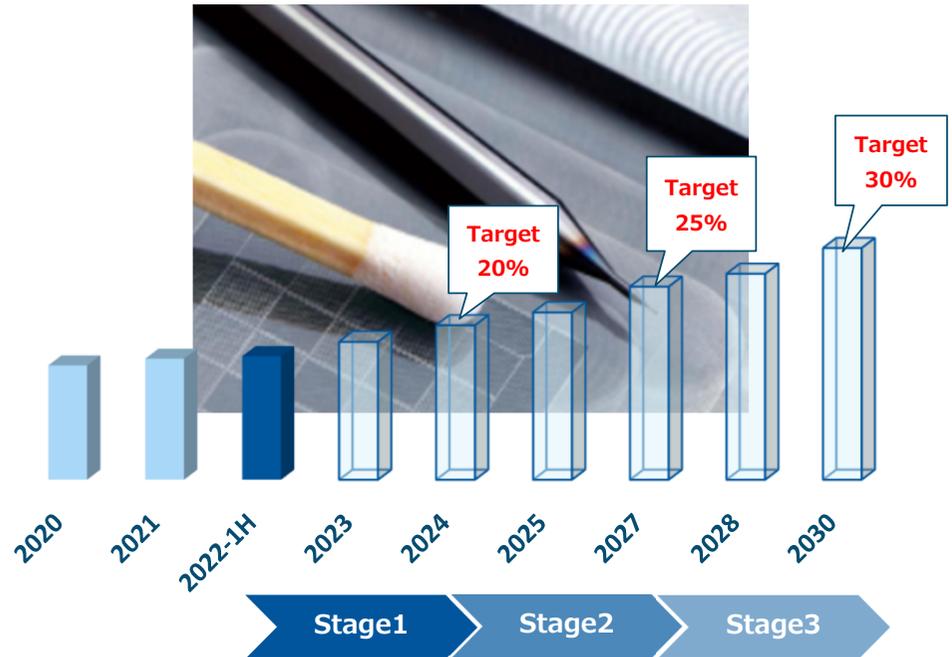
Sales of A-brand products grew, especially overseas, and new customers were acquired in the micro-precision machining field.

A Brand sales rate

A-brand product sales as a percentage of sales of taps, drills, and end mills in standard items



Sales rate in micro precision machining



Promotion of ESG Management

Basic Sustainability Policy

The OSG Group aims to contribute to the sustainable development of society as an essential player that contributes to sustainable manufacturing industries around the world through its unique, high value-added products and services.

Selected as a constituent of the ESG index “FTSE Blossom Japan Sector Relative Index”



FTSE Blossom Japan Sector Relative Index

We have met the requirements for a newly established index, FTSE Blossom Japan Sector Relative Index, and have been selected as a constituent of the index.

◇Regarding “FTSE Blossom Japan Sector Relative Index”

The FTSE Blossom Japan Sector Relative Index is designed to measure the performance of Japanese companies that demonstrate strong environmental, social and governance (ESG) practices in their respective sectors.

The Index has now been adopted as a passive ESG benchmark by the General Pension Investment Fund (GPIF).

Promote introduction of solar power generation, on-site PPA and off-site PPA

NEO Shinshiro Factory is promoting the installation of solar power generation equipment. We are planning to install solar panels on the roof of the factory and on the parking space. (* Installation and operation will start in FY2023 or later.)

The electricity generated will be used to recharge the factory and electric vehicles, and will also be available in the event of a disaster.

We are also moving forward with plans to introduce an off-site PPA in order to achieve the carbon neutrality declaration in our mid-term management plan.



Image of solar panels utilizing parking space



Image of solar panels utilizing factory roof

Shareholder Return Policy



The dividend payout ratio will be increased from the current commitment of 30% to 35% from FY2022. In the future, we will aim for a payout ratio of 40% while monitoring trends in our business performance. In addition, we will make decisions on share repurchases in consideration of capital conditions, business performance trends, our stock price level, growth investment opportunities, and improvement of capital efficiency.

